

May 22, 2001

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Dear Ms. Cottrell:

Mass. Electric appreciates the opportunity to participate in the Department's technical conference on May 31 which is designed to discuss steps to start making retail market choice available this year.

During the past two months, Massachusetts Electric has been meeting with suppliers to determine ways that the retail market can be "jump started" for customers on default service. Many suppliers have met with us and we have been compiling a list of ideas and potential initiatives that could be launched to achieve the Department's goals. From these ideas, we have developed a potential supplier outreach initiative for the summer that is designed to facilitate the flow of information and communication between default service customers and suppliers who are ready to make offers to customers. We thought it would be valuable to share this potential initiative with participants prior to the May 31 technical session. In that way, all participants will have had the opportunity to consider it prior to engaging in discussions. Attachment 1 enclosed with this letter provides a brief summary of the potential initiative.

In addition to the supplier outreach initiative, we thought it would be important for participants to consider some of the other ideas that have been raised in the course of our discussions with suppliers and others. Attachment 2 included with this letter contains a short summary. Although we are not yet proposing to implement any on the list, many are worthy of discussion.

There is, however, another issue that the Department will need to address before Mass. Electric implements any initiatives. Specifically, we recently received a notice from Select Energy, who is one of our wholesale default service suppliers. In the notice, Select contemplates taking legal action against Mass. Electric and its affiliates if Mass. Electric implements any program that goes "well beyond customary local distribution activities" to encourage customers to leave default service. As the Department knows, Select Energy has the right to sell power to Mass. Electric at wholesale to serve customers on default service who do not take service in the competitive market. As such, if customers leave default service to purchase supply from a competitor of Select Energy, Select would lose the sales to those customers. Select maintains that any effort by National Grid to shift customers off default service would "contravene the spirit of good faith and fair dealing" under the wholesale power purchase agreement.

Page 2
Letter to Secretary Cottrell
May 22, 2001

Clearly, Mass. Electric wants to do what is in the best interest of customers. However, we are very troubled by Select Energy's letter and feel constrained by the position Select Energy has taken, whatever the merits of its claim may be. We believe that Department consideration of Select Energy's notice will be important before Mass. Electric implements any initiative.

Sincerely,

Ronald T. Gerwatowski
Senior Counsel

- c. Service List: D.T.E. 99-60
Licensed Competitive Suppliers and Brokers
Michael Dalton, Fitchburg Gas and Electric Light Company
Kerry J. Khulman, Western Massachusetts Electric Company
Cheryl A. LaFleur, Massachusetts Electric Company
Thomas J. May, NSTAR